



*State of Michigan*  
*Comprehensive Annual Financial Report*

Fiscal Year Ended September 30, 2010

**RICK SNYDER**  
Governor

**JOHN E. NIXON, CPA**  
State Budget Director

**MICHAEL J. MOODY, CPA**  
Director  
Office of Financial Management

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STATE OF MICHIGAN  
OFFICE OF THE AUDITOR GENERAL  
201 N. WASHINGTON SQUARE  
LANSING, MICHIGAN 48913  
(517) 334-8050  
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Rick Snyder, Governor  
Members of the Legislature

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan, principally as of and for the year ended September 30, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the State Lottery Fund, Michigan Unemployment Compensation Funds, Michigan Employment Security Act - Administration Fund, Attorney Discipline System, Michigan Education Savings Program, Michigan State Housing Development Authority, Mackinac Island State Park Commission, State Bar of Michigan, Central Michigan University, Western Michigan University, Eastern Michigan University, Ferris State University, Grand Valley State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Oakland University, and Saginaw Valley State University. Those financial statements reflect total assets and revenues or additions of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as follows:

Opinion Unit	Percent of Total Assets	Percent of Total Revenues/Additions
Governmental activities	0.1%	0.4%
Business-type activities	95.6%	91.4%
Aggregate discretely presented component units	45.0%	77.8%
State Lottery Fund	100.0%	100.0%
Michigan Unemployment Compensation Funds	100.0%	100.0%
Aggregate remaining fund information	3.7%	7.2%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for these component units and funds, are based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the reports of other auditors provide a reasonable basis for our opinions.



STATE OF MICHIGAN  
OFFICE OF THE AUDITOR GENERAL

THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

The Honorable Rick Snyder, Governor  
Members of the Legislature  
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In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Michigan, as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the basic financial statements, the State adopted Governmental Accounting Standards Board Statements No. 51, *Accounting and Financial Reporting for Intangible Assets*, and No. 53, *Accounting and Financial Reporting for Derivative Instruments*. As also discussed in Note 4, Executive Order No. 2010-2 created the Michigan Finance Authority, a discretely presented component unit, by consolidating several finance authorities, including the Michigan Tobacco Settlement Finance Authority. The Michigan Tobacco Settlement Finance Authority was previously reported as a blended component unit.

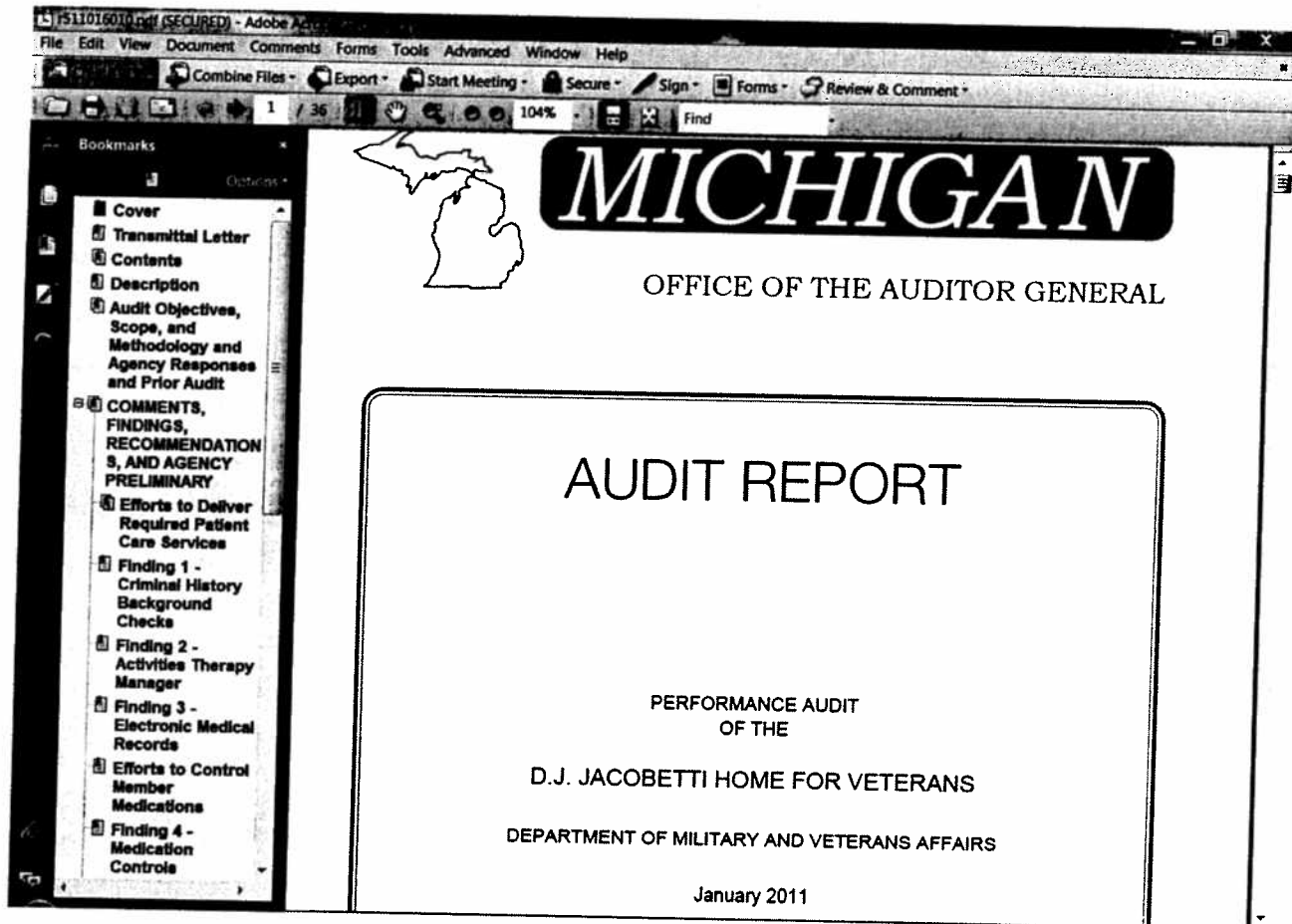
As discussed in Notes 6 and 23, the State of Michigan replaced its Single Business Tax with the Michigan Business Tax. The State could not fully estimate the amount of future collections and refunds related to the Michigan Business Tax because the necessary data was not available.

The management's discussion and analysis on pages 17 through 26, budgetary comparison schedules and corresponding notes on pages 114 through 117, and information about infrastructure assets reported using the modified approach on pages 118 and 119 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Michigan's basic financial statements. The combining and individual fund statements and schedules - non-major funds listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, statistical, and other information sections listed in the table of contents have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

AUDITOR GENERAL

February 18, 2011



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- Finding 5 - Member Admissions
- Finding 6 - Financial Disclosure and Applicant Assessments
- Finding 7 - Controls Over Members' Personal Funds
- Finding 8 - Space Utilization
- SUPPLEMENTAL INFORMATION
  - Exhibit 1 - Members' Demographic Data
  - Exhibit 2 - Member Admissions, Discharges, and Average Monthly
  - Exhibit 3 - Selected Financial and Member Information

## EFFORTS IN MANAGING MEMBER ADMISSIONS, FINANCIAL ASSESSMENTS, AND DONATED FUNDS

**COMMENT**

**Background:** Annually, the Board of Managers establishes a monthly fee assessment for its nursing care and domiciliary care services. The actual amount that members pay for services is based on the Home's assessment of each member's ability to pay. As of June 25, 2010, the Home's 176 military veteran members receiving nursing care services made an average monthly payment of \$2,323 (60%) for services compared to the Home's monthly assessment of \$3,900. Also, the Home's 9 military veteran members receiving domiciliary care services paid an average monthly payment of \$1,231 (54%) for services compared to the Home's monthly assessment of \$2,300. For fiscal year 2009-10, the Home's appropriated source of funding consisted of \$5.7 million from member payments, \$5.2 million from federal revenues, and \$4.7 million from the State's General Fund. The Home receives federal revenues based upon a daily per diem paid for each member of the Home receiving nursing care services. In order to receive the daily per diem, the Home must meet standards established by federal regulation 38 CFR 51(d).

**Audit Objective:** To assess the effectiveness of the Home's efforts in managing member admissions, financial assessments, and donated funds.

**Audit Conclusion:** We concluded that the Home's efforts in managing member admissions, financial assessments, and donated funds were effective. However, our assessment disclosed four reportable conditions related to member admissions, financial disclosure and applicant assessments, controls over members' personal funds, and space utilization (Findings 5 through 8).

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- GLOSSARY

## Glossary of Acronyms and Terms

assets divested	The disposing, transfer, gifting, conversion, or giving away of assets for less than fair market value.
assets restricted	The moving or transferring of assets, thereby making them unavailable to pay the cost of care.
CFR	Code of Federal Regulations.
controlled medications	A drug or substance that has a high potential for misuse.
domiciliary care	Serves members who need very little nursing care but have needs that require a structured environment.
effectiveness	Success in achieving mission and goals.
EMRS	electronic medical records system.
mission	The main purpose of a program or an agency or the reason that the program or the agency was established.
nursing care	Serves members with moderate to severe disabilities who require continuous nursing care and supervision.